

**City of Reading**  
**City Council**  
**Work Session & Budget Review**  
**Monday, November 15, 2010**

**Councilors Attending:** J. Waltman, D. Sterner, F. Acosta, D. Reed, M. Marmarou, M. Goodman-Hinnershitz

**Others Attending:** L. Kelleher, C. Younger, C. Geffken, T. McMahon, F. Denbowski, C. Weidel

**Man Director's Report**

Mr. Geffken read the report distributed to Council at the meeting covering the following:

- Public Meetings on the Housing and Economic Development Strategies on Tuesday, November 16<sup>th</sup> and Wednesday, November 17<sup>th</sup> (respectively) in Council Chambers at 7 p.m.
- Mayor's plan to address the City's proposed budget and tax increases on Friday, November 19<sup>th</sup> at 4 p.m.
- Success of County Graffiti Abatement program in removing graffiti from 489 city properties
- Cash flow as of October 31 at \$1.6M
- Groundbreaking ceremony for the Save-a-Lot grocery store at 8<sup>th</sup> and Oley Streets.

Mr. Sterner stated that he was pleased to learn about the economic development project at 8<sup>th</sup> and Oley Streets. He announced that the opening celebration of the Hillside Playground Light Display is scheduled for Sunday, November 21 at 6 p.m.

Ms. Reed questioned Reading's Future LLC involvement in the economic development project at 8<sup>th</sup> and Oley. Mr. McMahon stated that some funding passed through Reading's Future LLC through Our City Reading.

Ms. Reed inquired about the disposition on the \$15M allocation to Reading's Future LLC and the amount that will be used for inner-city economic development projects. Mr. McMahon stated that these are federal dollars that will not effect the City's annual CDBG allocation. Mr. Geffken offered to follow-up.

Mr. Marmarou questioned if this grocery store is a chain-type facility. Mr. Geffken stated that other Save-a-Lot grocery stores are located in Muhlenberg, Shillington, etc.

### **Council Staff Report**

Ms. Kelleher stated that this agenda item was requested by Council President Spencer, as he wanted to make sure Council had an opportunity to review the monthly report and ask for additional information. Ms. Kelleher stated that the report was late this month due to the budget meetings.

Ms. Kelleher highlighted the need for Council, the Mayor and others to contact the members of the Reading Hospital Board of Directors concerning the need for the Board to approve the agreement to accept title to the Navy Marine Center parcel, located on Kenhorst Blvd. She stated that as the Reading Hospital is experiencing transitional issues, they have shelved all capital projects. The Navy and other federal offices have said that if the Hospital refuses to execute the required agreement, they will put the parcel up for public sale, which will eliminate the Hospital's ability to obtain the property at no cost. She reminded everyone how quickly the Armory building at 12<sup>th</sup> and Exeter Streets turned into a blighted property and had a negative impact on the neighborhood. She stated that the City undertook the LRA project to avoid this very thing at the Navy Marine Center. She stated that the list of Reading Hospital Board members is attached to the report and encouraged Council, the Mayor and others to contact the Board to encourage them not to shelve this project.

### **Removal of Neighborhood Trash Cans**

Mr. Denbowski and Mr. Zolna distributed information on the container program. Mr. Denbowski stated that as the original receptacles are beginning to show their age they are being replaced with dual-use and Can It receptacles. He stated that a number of the original cans were abused with household trash which caused solid waste to overflow from the cans. He stated that City employees empty the neighborhood receptacles weekly; however, those with household trash required more frequent collection.

Mr. Denbowski stated that approximately 125 Can It receptacles are slated to go out by June 2011. He noted that Can It receptacles become the responsibility of those who request them, which reduces the workload on staff. He also stated that many of the City's food establishments have City receptacles. However, as the Health Code requires these businesses to have receptacles outside their businesses, the City's cans are being removed. He noted that trash removal will become the responsibility of the business owner.

Mr. Denbowski stated that City receptacles will remain at public buildings, parks, playgrounds and high pedestrian areas.

In response to a question, Mr. Denbowski stated that the Can It receptacles are more durable than the City's receptacles and have a longer life expectancy. He stated that Wood to Wonderful seeks contributions to cover the cost of the program and that the receptacles are donated. He noted that the City's Solid Waste program makes a contribution to the cost of the Can It program.

### **Housing Update**

Mr. Kromer stated that he is currently working to draft the Housing and Economic Development strategies that are required by the Act 47 Recovery Plan. He stated that Eric Weiss is assisting with the Housing component and Jim Hartline is assisting with the Economic Development component. He stated that a small work group will be working to develop both strategies; however, he noted the need for monthly public input which will begin with public sessions on Tuesday the 16<sup>th</sup> and Wednesday the 17<sup>th</sup> at 7 pm in Council Chambers.

Mr. Kromer stated that the strategy will not be a list of recommendations but a plan that will be implemented as it is developed. He noted Reading's high chance of success due to the interest of some City staff and the public.

### **Budget Review**

Mr. Younger distributed a legal opinion on the allocation to BCTV and the potential for conflict. He stated that after review he believed that a conflict with this allocation does not exist as the Mayor is not receiving personal gain through the contribution.

Mr. Geffken distributed letters to RAWA covering the sale of the 122 acre Ontelaunee parcel and the need for RAWA's financial assistance as listed in the Act 47 Recovery Plan.

Mr. Denbowski stated that he, Mr. Spencer, Mr. Miller and Mr. Setley met last week to discuss these issues which resulted in the letters.

Mr. Waltman questioned why a proposal was made in writing before it was discussed with the members of Council.

Ms. Goodman-Hinnershitz expressed concern that the Council President did not inform the body that the meeting was scheduled and what was discussed at the meeting.

Mr. Geffken stated that Mr. Setley and Mr. Miller requested a written proposal for the RAWA board to react to. Mr. Denbowski stated that the memo was to be reviewed with the Council President; however, as he is out of town, they thought it best to send the letters as the RAWA board is meeting tomorrow afternoon.

Ms. Reed noted the need for the Administration to advise Ontelaunee Township that the City is offering the parcel to RAWA. Mr. Geffken stated that the Administration has been in communication with Ontelaunee Township.

Ms. Reed inquired why an RFP for the sale of this parcel was not prepared. Mr. Younger stated that an RFP is not required if the transaction involves a municipality or municipal agent.

Mr. Sterner stated that this is only a starting place. He noted that Council will need to approve the transaction by ordinance.

Mr. Waltman expressed concern that the City is moving too quickly. He noted the need to perform due diligence before approving this transaction. He warned about acting too hastily. He noted his belief that the memo steps away from the original concept.

Mr. Geffken warned that without the sale of the 122 acre parcel, the City will need to add \$1M to the unfunded debt loan.

### **Budget Review**

Mr. Waltman and Mr. Acosta distributed copies of the proposed adjustments submitted by Mr. Waltman. Mr. Acosta stated that he did not receive any additional adjustment proposals. He inquired if anyone present had prepared adjustment proposals. No one responded.

Ms. Goodman-Hinnershitz expressed concern that that the adjustments are the same approach used in the past. She noted the need to move forward while considering the affect adjustments could have on future years.

Mr. Geffken stated that the proposed adjustments are unrealistic and will be vetoed if placed into the budget.

Mr. Waltman stated that if all the adjustments are accepted, the property tax could be reduced to a 5% increase. He expressed the belief that the adjustments are small and doable. He reminded everyone that earlier tonight Council heard Berks EIT predict that they will improve EIT collection; however they refused to make a collection projection.

Mr. Waltman suggested that the Mayor and Administration use this opportunity to set increased EIT collection as a goal, rather than accepting flat numbers from those who are already paying. He also noted that the Act 47 Recovery Plan contains initiatives valued at approximately \$2M that will not be realized in 2010 and 2011.

Mr. McMahon expressed the belief that the proposed adjustments are unrealistic and perhaps politically motivated.

Mr. Waltman reminded Mr. McMahon that the numbers were developed based on the examination of prior years. He noted that the severe lack of delinquent EIT collection needs to become an Administrative goal. He stated that the people already paying annual taxes are being taxed to death. He stated that this practice must change.

Mr. McMahon stated that the City's financial problems are related to legacy issues and are not the fault of the current Administration. He asked Council to ignore the proposed adjustments

as there are too many uncertainties as the City moves forward. He expressed the belief that any improved collection by Berks EIT should offset tax increases for 2012. He stated that use of the proposed adjustments will require layoffs and reduction of services.

Mr. Acosta noted the need for the City to define its core services. He noted that citizens are reacting negatively to the proposed 20% property tax increase.

Mr. Sterner expressed the belief that the daily or monthly cost of the proposed 20% property tax increase is relatively small. He stated that people are reacting to the double digit number without knowing the effect it will actually have.

Mr. Geffken displayed a spreadsheet showing the effect the 20% property tax increase will have on properties. For example, a property assessed at:

- \$25K will experience an annual increase of \$59.73.
- \$65K will experience an annual increase of \$155.25.
- \$100K will experience an annual increase of \$250.85

Ms. Goodman-Hinnershitz expressed the belief that this is a small price to pay for the continued level of police protection.

Ms. Reed noted the need for Council to consider the bottom line and the impact this will have on the middle class citizen the City is trying to retain and attract. She stated that the average middle class resident is already pushed to the limit.

Mr. Sterner and Mr. Marmarou expressed the belief that as the majority of City properties are rental that the increase is fair. Mr. Marmarou added that Senior Citizens also have the ability to seek assistance from the State Rebate Program and other social service programs. He added that the Homestead Relief also offers some assistance.

Ms. Reed inquired about the effect that annual assessment reductions will have on the City's overall property tax collection. Ms. Weidel stated that those figures are evaluated at the beginning of each calendar year.

Ms. Goodman-Hinnershitz inquired about the City's ability to appeal the decisions of the Assessment Board. Mr. Younger stated that the City can appeal the decision of the Assessment Board within 30 days.

Ms. Kelleher stated that Attorney John Bradley attends the Assessment Hearings for the School District and City for assessment reduction requests valued at a minimum of \$100K. She suggested speaking with the School Board about reducing the minimum.

Mr. Younger stated that the School Board has instructed Mr. Bradley not to attend assessment appeals on behalf of the City.

Mr. Marmarou noted the need for the Mayor and Administration to consider the impact improved collections of EIT and Per Capita would have on the City's financial situation.

Ms. Kelleher stated that the Act 47 Recovery Plan states that there are currently 57,000 citizens who should be paying Per Capita tax, which would yield approximately \$280K per year. Mr. Geffken stated that \$80K is projected for 2011 Per Capita Tax collection as 16,000 are expected to pay the tax. Ms. Kelleher added that Allentown collects approximately \$280K annually.

Mr. Sterner and Mr. Marmarou stated that if the Administration refuses to properly collect Per Capita, the tax should be repealed.

Mr. Geffken expressed the belief that this tax is not worth collecting.

Mr. Waltman noted the cumulative effect the increasing taxes have had on the average taxpayer. He stated that he could support the proposed tax increases if the Administration was willing to commit to fixing the City's broken systemic problems. However, the Administration still refuses to admit that the systemic problems exist.

Mr. Sterner stated that as 75-80% of the budget is salaries, pensions and benefits, any further reduction would reduce manpower and services.

Mr. Acosta inquired if those present would consider adopting the budget before Council today. The poll ended three (3) Councilors in favor of the proposed budget and three (3) Councilors opposed to the proposed budget.

Mr. Acosta also stressed the need for the Mayor to offer a clear explanation about the proposed budget and tax increases. Ms. Goodman-Hinnershitz agreed that limited information leads to misperceptions.

Mr. Acosta announced that the next Budget Review meeting will be held on Wednesday, November 17<sup>th</sup> at 4:30 pm in the Penn Room.

The meeting adjourned at approximately 8:45 p.m.

*Respectfully submitted by Linda A. Kelleher CMC, City Clerk*